

1 December 1956

MEMORANDUM FOR: Chief, Intelligence Information Staff, OPR
ATTENTION: [REDACTED] 25X1A9a
THROUGH: Chief, Services Division
FROM: Chief, Trade Controls Branch
SUBJECT: Contributions to OCI Periodic Requirements List -
Western and Northern Europe - 1 December 1957 -
31 March 1958

Austria

D. East-West Trade

1. Recent reporting indicates that West European insurance firms, which serve as representatives of the Soviet State Insurance firm, **INSOBTREKH**, may be handling insurance for illegal East-West trade and may also be serving as a medium for Soviet industrial espionage activities. A new Soviet-controlled insurance company, the **GARANT VEREICHERUNGSGESELLSCHAFT A. G.**, has recently been established in Austria for the purpose of insuring commercial transactions between the Soviet Bloc and Austria. The only other insurance company in Austria known to engage extensively in insuring shipments to the Bloc is **JAUCH UND HUNZIKER INSURANCE AGENCY**, Vienna, a branch of the West German firm by the same name.

a. Report on the activities of the above mentioned, or other Austrian firms insuring East-West trade. Indicate the extent of Soviet control of these firms. (C)

b. Are any of these firms known to insure illegal trade or acquire information from Western firms they insure, which might be considered useful for commercial or industrial espionage purposes? (C)

Finland

D. East-West Trade

1. There have been recurring reports that the Finns are shipping Battle Act Title I, Category A goods to the Soviet Bloc. If this were verified, it would be mandatory for the U. S. to cease providing economic assistance to that country.

a. Develop information confirming or refuting the allegations that Finland is shipping Battle Act Title I, Category A,

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goods to the Soviet Bloc. Identify Finnish participants in these shipments, if any, and provide details, including description and value of goods. (S)

2. It was also recently reported that a Finnish firm, OSAKEYHTO SIX, was the stated consignee for 800 tons of Italian origin borax, which was diverted to the Bloc enroute to Finland. This diversion is currently under investigation.

a. Provide information on any misuse of Finnish end-use documentation in the diversion of borax (or other strategic materials) to the Bloc. Is there any evidence to indicate that OSAKEYHTO SIX was culpable in the 800-ton borax diversion? (C)

Italy

D. East-West Trade

1. Diversion of Italian borax to the Soviet Bloc has been under extensive investigation recently. In view of the enforcement activities of U. S., Italian, and Swedish officials, diverters may develop new techniques or possibly new sources of supply.

a. Report any evidence of new plans or operations by trading firms which might be concerned with reactivation of this illegal trade in borax. (C)

2. It has also been reported that the Communist Chinese recently ordered the use of Trieste rather than Rijeka for shipping and on-forwarding of goods purchased from or sold to the West and the European Bloc.

a. Provide information on any illegal shipments being shipped via Trieste to the Sino-Soviet Bloc. Provide manifest data, if available. How permanent is this shipping arrangement via Trieste, rather than via Rijeka, considered? (C)

The Netherlands

D. East-West Trade

1. One of the largest and certainly the most effective diverter of Free World borax is the Netherlands firm, Gebr. MEIJER. In spite of varied and comprehensive efforts of COMCON countries to curtail the activities of the firm, this firm continues to obtain large quantities of Free World borax through the use of front firms and/or affiliates.

a. Identify Meijer's "fronts," affiliates, and sources of supply. Explain his method of operation -- i.e., where and how

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he obtains his supplies; who handles the shipments; how the borax is routed to the Soviet Bloc; and who are his Bloc contacts. (C)

Spain

D. East-West Trade

1. A major investigation being conducted by the Governments of the U. S. and UK involves the diversion of embargoed electronic instruments through a Swiss intermediary, Alexander Botes GOMBOA, to Communist China. The Swiss firm alleges that the goods have been illegally imported into Spain by the Spanish Air Force to avoid Spanish financial controls. There is no reason to believe the goods did not enter Spain, but it is doubtful that they remained there.

a. Comment on the credibility of the Swiss intermediary's allegation. Are Free World goods being diverted through Spain or with the aid of Spanish residents? Describe such situations, emphasizing re-exports from Switzerland. (C)

Sweden

D. East-West Trade

1. A large percentage of the most recent significant diversions of strategic materials have either passed through Sweden, used Swedish consignees as "blinds," or have been arranged by Swedish freight forwarders or traders.

a. Provide information on the participation of Swedish firm and individuals currently engaged in illegal shipments of strategic goods to the Sino-Soviet Bloc. (C)

Switzerland

D. East-West Trade

1. Recent investigations of reported large scale diversions of U. S. and UK origin electronic instruments to Communist China by Swiss traders are currently being reviewed by the Swiss Government. Evidence to date indicates that the U. S. goods were exported to the Swiss firm FARNER-WERKE, A.G. (occasionally via the UK purchaser J. TUSHKIN LTD.) who turned the shipments over to Alexander Botes GOMBOA. The Basel forwarding firm, GENERAL TRANSPORT, (acting on behalf of the Communist Party firms, POLYCOMEX, S.A., and SENEI, S.A. of Geneva) received the material from Gombo's forwarder, TRANARSA (societe

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(anonyme Transports Internationaux Freres), Geneva, for forwarding to Red China. Gombon reportedly is the central figure in this purchase operation on behalf of Chinese and other Communist organizations and is said to receive current Red Chinese specifications and orders directly from the firms Polycomex and Serti. This group has also been reported more recently to be involved in diversions of U. S. origin goods through Havana, Cuba.

a. Report any available information on these alleged diversions to the Sino-Soviet Bloc of Western origin electronic equipment, including the origin, routing and ultimate destination of such shipments. Identify participants in these transactions, i.e., the Gombon-Farner Werke network or any other firms that may be acting on their behalf. (C)

b. Is there any evidence that the Gombon group is acting on behalf of the China National Export Import Corporation (CNEC), located in Bern? (C)

c. There have been rumors that the CNEC is currently centering its activities in Zurich, rather than Bern. Provide information to confirm or refute these allegations. If so, describe its current operations at Zurich, including contacts with Western and Soviet Bloc trade missions or representatives. (C)

West Germany

B. East-West Trade

1. The Frankfurt/Main firm of German WEISS is one of the most active traders in West Germany in supplying the Sino-Soviet Bloc with strategic electronic equipment of U. S. manufacture. Despite Weiss' suspension from U. S. export privileges, the firm continues to circumvent U. S. export licensing regulations through the use of unknown intermediaries and other subterfuges. Reportedly, the Bloc is also interested in obtaining electronic equipment of German origin, manufactured by such firms as ROEHE & SCHWARTZ and ASKANIA-HENSEL, A.G. There have been recurring allegations that West German traders circumvent Free World export controls by false declarations as to the strategic nature of the goods to be exported by technical manipulation of some items. In the latter case, by removing or modifying certain components of an embargoed item, the item may be legally exported and can later be restored to its embargoed character by subsequent manipulation or minor modification by the exporter's foreign representative.

a. Provide current information on German firms' operations including the identification of firms which may be using as "fronts"

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to obtain his electronic supplies from the U. S. Detailed commodity descriptions of imports obtained by him or shipments made to the Bloc, would be of assistance to U. S. investigative authorities in obtaining data from specific U. S. firms as to their sales or inquiries for items, which may be of interest to Russia. (C)

b. Supply any information regarding the allegations that West German traders are circumventing Free World export control regulations by the above-mentioned subterfuges. (C)

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